

**TOWN OF NEW LONDON,
NEW HAMPSHIRE**

ANNUAL FINANCIAL REPORT

**AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2014**

TOWN OF NEW LONDON, NEW HAMPSHIRE
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PLODZIK & SANDERSON

Professional Association/Accountants & Auditors

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INDEPENDENT AUDITOR'S REPORT

To the Members of the Board of Selectmen
Town of New London
New London, New Hampshire

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and aggregate remaining fund information of the Town of New London as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse and unmodified audit opinions.

Basis for Adverse Opinion on Governmental Activities

As discussed in Note 18 to the financial statements, management has not recorded the long-term costs of retirement health care costs and obligations for other postemployment benefits in the governmental activities. Accounting principles generally accepted in the United States of America require that those costs be recorded, which would increase the liabilities, decrease the net position and increase the expenses of the governmental activities. The amount by which this departure would affect the liabilities, net position, and expenses on the governmental activities is not readily determinable.

Adverse Opinion

In our opinion, because of the significance of the matter described in the "Basis for Adverse Opinion on Governmental Activities" paragraph, the financial statements referred to above do not present fairly the financial position of the government-wide financial statements of the Town of New London, as of June 30, 2014, or the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Town of New London
Independent Auditor's Report***

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of the Town of New London as of June 30, 2014, and the respective changes in financial position and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary Information - Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (pages 3 through 9) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information - Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of New London's basic financial statements. The combining and individual fund financial schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining and individual fund financial schedules and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial schedules and the Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued our report dated April 10, 2015 on our consideration of the Town of New London's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of New London's internal control over financial reporting and compliance.

April 10, 2015



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TOWN OF NEW LONDON, NEW HAMPSHIRE

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Management's Discussion & Analysis June 30, 2014

The Board of Selectmen and Town Administrator, as management of the Town of New London, offer readers of the Town's annual financial statements this narrative discussion and analysis of the financial activities of the Town of New London for the period ending June 30, 2014. The financial statements presented here include the 12-month period July 1, 2013 through June 30, 2014.

This discussion and analysis is prepared in accordance with the provisions of the Governmental Accounting Standards Board Statement No. 34 (GASB 34). We encourage readers to consider the information presented here in conjunction with additional information found within the body of the annual financial statements.

FINANCIAL HIGHLIGHTS

The Town's total net position for the year ending June 30, 2014, was \$9,780,528 as compared to \$11,103,645, as restated, at the end of June 30, 2013. Net position decreased by \$1,323,117, or 12% from June 30, 2013 to June 30, 2014 primarily due to the recording of the Sunapee Wastewater Treatment Facility payments.

As of June 30, 2014, the Town's total net position consisted of \$8,289,884 in net investment in capital assets, restricted for permanent funds of \$1,572,244, and unrestricted net position of -\$81,600. The Town's long-term obligations of \$6,742,063 consisted of \$6,502,042 in general obligation bonds (including \$4,996,301 for New London's portion of the Sunapee Wastewater Treatment facility upgrade), \$180,621 in compensated absences payable, and \$59,400 in accrued landfill post-closure care costs.

During the period, the Town's expenses of \$8,373,114 were \$1,323,117 more than revenues. Revenues consisted of charges for services (\$969,652), operating grants and contributions (\$139,437), capital grants and contributions (\$165,624) and general revenues (primarily taxes, motor vehicle permit fees, state and federal grants and contributions, and miscellaneous revenues).

OVERVIEW OF FINANCIAL STATEMENTS

The following is intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements comprise five components: government-wide financial statements; fund financial statements; notes to financial statements; required supplementary information; and this discussion and analysis. This report also contains other supplementary information in addition to the basic financial statements themselves.

The basic financial statements include two kinds of statements that present different views of the Town based upon measurement focus and basis of accounting. The first two statements are government-wide financial statements that provide both long-term and short-term information about the Town's overall financial status. The remaining statements are fund financial statements that focus on individual parts of the Town, reporting the Town's operations in more detail than the government-wide statements. The governmental fund statements tell how the Town's services were financed in the short term as well as what remains for future spending. Fiduciary fund statements provide information about the financial

Board of Selectmen P: 603-526-4821 x 10 F: 603-526-9494	Town Administrator P: 603-526-4821 x 13 F: 603-526-9494	Town Clerk-Tax Collector P: 603-526-4821 x 11 F: 603-526-9494	Finance P: 603-526-4821 x 21 F: 603-526-9494	Assessing P: 603-526-4821 x 20 F: 603-526-9494
Planning/Zoning P: 603-526-4821 x 16 F: 603-526-9494	Fire Department P: 603-526-6073 F: 603-526-6079	Police Department P: 603-526-2626 F: 603-526-2782	Public Works P: 603-526-6337 F: 603-526-9662	Recreation P: 603-526-4821 x 14 F: 603-526-9494

relationships in which the Town acts solely as an agent for the benefit of others, to whom the resources belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Government-wide financial statements: The government-wide financial statements are designed to provide readers with a broad overview of our finances in a manner similar to a private-sector business. The Statement of Net Position presents information on all assets and liabilities (with the exception of the Town's other postemployment benefit liability which has been omitted), with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating. The Statement of Activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses (with the exception of other postemployment benefit which has been omitted) are reported in this statement for some items that only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation time).

Fund Financial Statements: A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. All of the funds can be divided into two categories: Governmental Funds and Fiduciary Funds.

The General Fund, Wastewater Treatment Plant Capital Project Fund and the Permanent Fund comprise the major governmental funds, while five special revenue funds and four capital project are consolidated as Nonmajor Governmental funds. The Nonmajor funds are the Sewer Department, Conservation Commission, Capital Cost Recovery, Recreation, Recycling, Lamson Lane, Library Building, Pleasant Street Sidewalk and Elkins Sidewalk funds respectively. General Fund revenues and expenditures are compared to budget in the Statement of Revenues, Expenditures and Changes in Fund Balances. Fiduciary funds are agency funds which are used to benefit outside parties and cannot be used to support any of the Town's own programs.

Notes to Financial Statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information: In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information required by the Government Accounting Standards Board. Additional combining statements and individual fund schedules are presented immediately following the Notes to Financial Statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Change in Net Position

The government-wide financial statements -- the Statement of Net Position (Exhibit A) and Statement of Activities (Exhibit B) -- provide a comprehensive summary of governmental activities. The Statement of Net Position may serve, over time, as a useful indicator of a government's financial position. Net investment in capital assets is \$8,289,884. Restricted for permanent funds of \$1,572,244 are restricted by constraints imposed from outside the Town, such as cemetery or library trust funds. As of June 30, 2014,

unrestricted net position of the Town is (\$81,600). The Town's unrestricted net position has decreased over the past several years due to New London's contribution to the Sunapee Wastewater Treatment Plant upgrades with no underlying ownership in the plant.

The Town's financial position is the product of several financial transactions including the net results of activities and payment of debt. A summary of long-term debt obligations can be found in the Notes to Financial Statements. Comparative Net Position for the periods ending June 30, 2014 and June 30, 2013 are shown below.

Comparative Net Position

	FY2013	FY 2014	Amount Change	% Change
Total assets	\$25,600,432	\$25,484,592	(\$115,840)	-1.29%
Long-term liabilities outstanding:	\$4,775,198	\$6,742,063	\$1,966,865	41.19%
Other liabilities	\$7,298,089	\$6,759,118	(\$538,971)	-7.39%
Total liabilities	\$12,073,287	\$13,501,181	\$1,427,894	33.8%
Deferred Inflows of Resources:				
Unavailable revenue – Property taxes	\$2,143,616	\$2,197,883	54,267	2.53%
Unavailable revenue – Special assessments	\$6,000	\$5,000	(\$1,000)	-16.67%
Total deferred outflows of resources	\$2,149,616	\$2,202,883	53,267	2.48%
Net Position:				
Net investment in capital assets	\$8,211,464	\$8,289,884	\$78,420	0.96%
Restricted for permanent funds	\$1,462,994	\$1,572,244	\$109,250	7.47%
Unrestricted	\$1,703,071	(\$81,600)	(\$1,784,671)	-104.79%
Total Net Position	\$11,377,529	\$9,780,528	(\$1,597,001)	-96.37%

Statement of Activities

The Statement of Activities (Exhibit B) provides an important summary of overall expenditures and revenues for the fiscal year; it includes transactions from all funds. The Town's total expenses were \$8,373,114; total revenues were \$7,049,997, resulting in a decrease of net position of \$1,323,117. The largest share of revenue, \$4,164,286 (about 72% of total revenues), was from property taxes. The Town's expenditures were largely for capital outlay (24.8%), public safety (20%), highways & streets (15.4%) and general government (16.2%).

Program expenses decreased by \$211,152, or -2.4%, in FY2014 (the amounts are displayed in the table below).

The Town's largest source of program revenues, other than wastewater user fees or grants from the state or federal government, is the charge for dispatch services to our neighboring communities. In fiscal year 2014, New London collected \$129,195 in dispatch fees.

During the period, the Town's expenses were \$1,323,117 more than revenues generated for charges for services, operating grants or contributions and general revenues (including property taxes and local, state and federal grants and contributions not restricted to specific purposes).

Comparative Statement of Changes in Activities

Governmental activities:	Fiscal Year Ending 06/30/2013	Fiscal Year Ending 06/30/2014	Amount of Change	% Change
General Government	\$ 1,178,271	\$1,356,968	\$ 178,697	15.17%
Public Safety	1,586,510	1,681,162	\$94,652	5.97%
Highways & Streets	1,370,930	1,289,474	(\$ 81,456)	-5.94%
Sanitation	875,978	901,049	\$25,071	2.8%
Health	160,614	174,599	\$13,985	8.71%
Welfare	21,516	22,199	\$ 683	-3.17%
Culture & Recreation	728,240	776,243	\$ 48,003	-6.59%
Conservation	34,317	31,079	(\$3,238)	-9.44%
Interest on Long-Term Debt	81,757	53,909	(\$27,848)	-34.06%
Capital Outlay	2,820,017	2,086,432	(\$733,585)	-26%
Total Governmental Activities	\$ 8,858,150	\$8,373,114	(\$485,036)	-5.4%

Program Revenues:	Fiscal Year Ending 06/30/2013	Fiscal Year Ending 06/30/2014	Amount of Change	% Change
Charges for services	\$ 1,018,940	\$969,652	(\$49,288)	-4.84%
Operating grants & contributions	\$ 128,273	\$139,437	\$11,164	8.7%
Capital grants & contributions	68,392	\$165,624	\$97,232	142.17%

General Revenues:				
Property taxes and other taxes	\$4,049,098	\$4,244,551	\$195,453	4.83%
Motor Vehicle Permit Fees	\$716,190	\$778,928	\$62,738	8.76%
Licenses & Other Fees	\$107,287	\$113,621	\$6,334	5.9%
Grants & contributions not related to specific programs	\$198,424	\$201,800	\$3,376	1.7%
Miscellaneous	\$336,597	\$436,384	\$99,787	29.65%
Total Revenues	\$ 6,623,201	\$7,049,997	\$426,796	6.44%

Change in Net Position	Fiscal Year Ending 06/30/2013	Fiscal Year Ending 06/30/2014
Net Position, Beginning as restated	13,338,594	11,103,645
Net Position, Ending	<u>11,103,645</u>	<u>9,780,528</u>
Change in Net Position	(\$2,234,949)	(\$1,323,117)

FUND FINANCIAL STATEMENTS**General Fund**

The Town of New London uses separate fund accounting for each of its funds to ensure compliance with finance-related legal requirements. Information from the fund accounting system is essential in managing budgets as the financial year progresses and is useful in assessing financial resource needs for future operation of the Town. The General Fund is what most people think of as "the budget" since it is the focal point of the Annual Town Meeting and largely supported by property taxes.

Schedules 1, 2, and 3 detail General Fund activity for FY2014. Budgeted revenues totaled \$6,076,782 and actual revenues equaled \$6,221,793, for a revenue surplus of \$145,011. Other than property taxes, the largest general revenue received by the Town of New London is from motor vehicles registrations. In fiscal year 2014, the Town recognized \$4,164,286 in property taxes and \$778,928 in motor vehicle fees. The Town also receives revenue shared by the State of New Hampshire in the form of meals & rooms tax (\$201,800 in 2014, \$198,424 in 2013, \$196,388 in 2012) and highway block grant (\$119,280 in FY2014, \$116,874 in FY2013, \$190,506 in FY 2012).

Budgeted appropriations and encumbrances from prior year totaled \$6,535,751 while actual expenditures plus encumbered to subsequent year were \$6,299,389 leaving an unexpended balance of appropriations of \$236,362. This amount along with the revenue surplus make up the 2014 Budget surplus of \$381,373.

The following significant budgetary items are noted:

General Government: The General Government budget represents 19% of the total Town budget. Legal expenses due to property tax abatement issues exceeded the budgeted amount. This over expenditure was offset by savings due to personnel changes. One full-time position was replaced by two part-time employees in the Selectmen’s office.

Public Safety: The Public Safety budget makes up 24.6% of the total budget. The Public Safety expenses were under budget mainly due to personnel changes in the Police Department.

Highways & Streets: The Public Works Department comprises 21% of the total budget. There were savings in the Highway Department in Part-time and Overtime wages. The Transfer Station Department had lower than expected waste disposal fees.

Recreation: The Recreation Department budget consists primarily of the Recreation Director’s salary and related expenses and the cost of operating the two public beaches. The majority of recreation programs are paid by user fees and do not affect the tax rate.

The unassigned fund balance of the General Fund at the end of fiscal year 2014 was \$1,344,795, which is a decrease of \$35,920 over fiscal year 2013. Key factors in the unreserved fund balance are:

Unassigned Fund Balance, as restated, as of June 30, 2013:	\$ 1,380,715
FY2014 Revenues over budget estimates, including property tax (Schedule 1):	\$145,011
FY2014 Appropriations not spent or encumbered (Schedule 2):	\$ 236,362
Use of fund balance to offset the 2013-2014 tax rate (Schedule 1):	(\$400,000)
Increase in nonspendable fund balance	(\$17,293)
Unassigned Fund Balance as of June 30, 2014:	\$1,344,795
Difference FY2013 to FY2014:	<u>(\$35,920)</u>

Wastewater Treatment Plant Capital Project Fund

This fund accounts for activity related to the Sunapee Wastewater Treatment Plant upgrade. The agreement with Sunapee requires New London to pay for 65% of the upgrade expenditures.

Permanent Fund

The Permanent Funds include the Cemetery funds, Library funds and Bandstand funds.

Nonmajor Governmental Funds

Special Revenue Funds: The Town has five special revenue funds: the Sewer Department fund, a fund for donations made to the Conservation Commission; a fund for Capital Cost Recovery (primarily sewer betterment and related sewer-debt paid for by the users); and two revolving funds, one for Recreation Department programs and activities and one for Recycling. The Recycling Revolving Fund returns all but \$5,000 of revenue to the General Fund at the end of every fiscal year, and therefore there is never more than \$5,000 remaining in the fund at year-end.

Capital Project Funds: The Town has four Capital Project funds: Lamson Lane, Tracy Library Building improvements, Pleasant Street Sidewalk and Elkins Sidewalk project.

Activity for the Nonmajor Governmental Funds are shown on Schedules 4 and 5. The Special Revenue Funds ended the year with the following fund balances:

	<u>FY2013</u>	<u>FY2014</u>	<u>Change</u>	<u>% Change</u>
Sewer Department	\$1,201,896	\$1,202,659	\$763	.06%
Conservation Commission	\$13,078	\$13,085	\$7	.05%
Capital Cost Recovery	\$10,652	\$11,673	\$1,021	9%
Recreation	\$45,614	\$40,603	(\$5,011)	-10%
Recycling	\$5,000	\$5,000	\$0	0.0%

DEBT ADMINISTRATION**Long-Term Debt**

The Town has nine general obligation bond issues outstanding. A schedule of the bonds issues can be found in the notes to the financial statements.

As of the close of fiscal year 2014, the Town has a \$6,502,042 liability for long-term bonds that reduces overall net position. During the 2014 fiscal year, Town's total debt increased by \$1,633,629 primarily due to the drawdowns received from under the Water Pollution Control Revolving Loan Fund Program for New London's portion of the Sunapee Wastewater Treatment Facility upgrade. This does not mean that the Town has this entire payment requirement for next year; rather, \$233,264 of these obligations are due to be paid during the fiscal year ending June 30, 2015 (as shown on Exhibit A).

Long Term Liabilities

	<u>FY2013</u>	<u>FY2014</u>	<u>Change</u>	<u>% Change</u>
General Obligation Bonds, as restated	\$4,917,981	\$6,502,042	\$1,584,061	32.21%
Compensated Absences	162,453	180,621	\$18,168	-8.33%
Accrued Landfill Post-Closure Care Costs	28,000	59,400	\$31,400	100.00%
Total	\$5,108,434	\$6,742,063	\$1,633,629	-0.71%

FUTURE BUDGETARY IMPLICATIONS

2014 Town Meeting approved the fiscal year operating budget from July 1, 2014-June 30, 2015. This budget is a 3.3% increase in appropriations over FY2013, not including Sewer, capital deposits or capital expenditures. Town Meeting also approved an appropriation of \$670,190 for the construction of the Elkins Sidewalk and Streetscape Project. This appropriation is to be funded by a federal grant and withdrawals from two Capital Reserve funds.

The Board of Selectmen approved the extension of the employee's health insurance plan to June 30, 2015. Previously the health insurance plan coincided with the calendar year. The insurance premiums increased 9% over the previous year and this increase is borne proportionately by the participating employees and the Town.

2014 Town Meeting approved the appropriation of \$75,125 for the purchase and installation of a repeater and antenna duplexer to be installed on Mt. Kearsarge which will improve radio communications. Grant monies will pay for one-half the cost with the remainder to come from general taxation. The FY2014 budget also included the amount of \$48,500 for the purchase and installation of one communications console to be used in the Dispatch department.

The Sunapee Wastewater Treatment Facility upgrades are nearing completion and are projected to be completed in the Spring of 2015. The bond re-payment will impact the General Fund and Sewer budgets starting in FY2016.

MANAGEMENT CONTACT

This financial report is designed to provide a general overview of the Town's finances for those with an interest in that subject. Questions concerning any of the information provided in this report, or requests for additional financial information, should be directed to: Town Administrator, Town of New London, 375 Main Street, New London, NH 03257 (phone: 603-526-4821 ext. 13/fax: 603-526-9494/e-mail: townadmin@nl-nh.com).

BASIC FINANCIAL STATEMENTS

EXHIBIT A
TOWN OF NEW LONDON, NEW HAMPSHIRE
Statement of Net Position
June 30, 2014

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 6,574,018
Investments	3,323,965
Taxes receivables	5,381,545
Account receivables	221,356
Intergovernmental receivable	170,790
Tax dedeed property, subject to resale	17,293
Capital assets:	
Land and construction in progress	3,673,861
Other capital assets, net of depreciation	6,121,764
Total assets	25,484,592
LIABILITIES	
Accounts payable	165,423
Retainage payable	218,389
Accrued interest payable	20,331
Intergovernmental payable	6,354,975
Long-term liabilities:	
Due within one year	257,394
Due in more than one year	6,484,669
Total liabilities	13,501,181
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue - Property taxes	2,197,883
Unavailable revenue - Special assessments	5,000
Total deferred outflows of resources	2,202,883
NET POSITION	
Net investment in capital assets	8,289,884
Restricted	1,572,244
Unrestricted	(81,600)
Total net position	\$ 9,780,528

The notes to the basic financial statements are an integral part of this statement.

EXHIBIT B
TOWN OF NEW LONDON, NEW HAMPSHIRE
Statement of Activities
For the Fiscal Year Ended June 30, 2014

	Expenses	Program Revenues			Net (Expense) Revenue and Change In Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
General government	\$ 1,356,968	\$ 7,133	\$ -	\$ -	\$ (1,349,835)
Public safety	1,681,162	137,048	13,600	-	(1,530,514)
Highways and streets	1,289,474	-	123,283	-	(1,166,191)
Sanitation	901,049	747,684	2,554	-	(150,811)
Health	174,599	490	-	-	(174,109)
Welfare	22,199	-	-	-	(22,199)
Culture and recreation	776,243	77,297	-	-	(698,946)
Conservation	31,079	-	-	-	(31,079)
Interest on long-term debt	53,909	-	-	-	(53,909)
Capital outlay	2,086,432	-	-	165,624	(1,920,808)
Total governmental activities	<u>\$ 8,373,114</u>	<u>\$ 969,652</u>	<u>\$ 139,437</u>	<u>\$ 165,624</u>	<u>(7,098,401)</u>
General revenues:					
Taxes:					
Property					4,164,286
Other					80,265
Motor vehicle permit fees					778,928
Licenses and other fees					113,621
Grants and contributions not restricted to specific programs					201,800
Miscellaneous					436,384
Total general revenues					<u>5,775,284</u>
Change in net position					(1,323,117)
Net position, beginning, as restated (see Note 16)					11,103,645
Net position, ending					<u>\$ 9,780,528</u>

The notes to the basic financial statements are an integral part of this statement.

EXHIBIT C-1
TOWN OF NEW LONDON, NEW HAMPSHIRE
Governmental Funds
Balance Sheet
June 30, 2014

	General	Wastewater Treatment Plant Capital Project	Permanent	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 5,371,588	\$ 209,866	\$ 113,381	\$ 879,183	\$ 6,574,018
Investments	1,613,488	-	1,473,842	236,635	3,323,965
Accounts receivable	55,529	-	-	165,827	221,356
Taxes	5,381,545	-	-	-	5,381,545
Due from other governments	-	120,415	-	10,835	131,250
Interfund receivable	47,224	-	-	76,997	124,221
Tax dedeed property, subject to resale	17,293	-	-	-	17,293
Total assets	<u>\$ 12,486,667</u>	<u>\$ 330,281</u>	<u>\$ 1,587,223</u>	<u>\$ 1,369,477</u>	<u>\$ 15,773,648</u>
LIABILITIES					
Accounts payable	\$ 101,293	\$ 54,815	\$ -	\$ 9,315	\$ 165,423
Due to other governments	6,354,975	-	-	-	6,354,975
Interfund payable	20,023	56,974	16,366	30,858	124,221
Retainage payable	-	218,389	-	-	218,389
Total liabilities	<u>6,476,291</u>	<u>330,178</u>	<u>16,366</u>	<u>40,173</u>	<u>6,863,008</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - Property taxes	2,452,824	-	-	-	2,452,824
Unavailable revenue - Special assessments	-	-	-	55,000	55,000
Total deferred inflows of resources	<u>2,452,824</u>	<u>-</u>	<u>-</u>	<u>55,000</u>	<u>2,507,824</u>
FUND BALANCES					
Nonspendable	17,293	-	1,402,933	-	1,420,226
Restricted	136,672	103	167,924	26,042	330,741
Committed	2,097,634	-	-	1,248,262	3,345,896
Assigned	216,099	-	-	-	216,099
Unassigned	1,089,854	-	-	-	1,089,854
Total fund balances	<u>3,557,552</u>	<u>103</u>	<u>1,570,857</u>	<u>1,274,304</u>	<u>6,402,816</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 12,486,667</u>	<u>\$ 330,281</u>	<u>\$ 1,587,223</u>	<u>\$ 1,369,477</u>	<u>\$ 15,773,648</u>

The notes to the basic financial statements are an integral part of this statement.

EXHIBIT C-2
TOWN OF NEW LONDON, NEW HAMPSHIRE
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
June 30, 2014

Total fund balances of governmental funds (Exhibit C-1)		\$ 6,402,816
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources, therefore, are not reported in the funds.		
Cost	\$ 14,448,809	
Less accumulated depreciation	<u>(4,653,184)</u>	
		9,795,625
Interfund receivables and payables between governmental funds are eliminated on the Statement of Net Position.		
Receivables	\$ (124,221)	
Payables	<u>124,221</u>	
		-
Long-term assets not available to pay for current period expenditures are not reported in the governmental funds.		
Long-term intergovernmental receivable		39,540
Other long-term assets (taxes receivable) are not available to pay for current period expenditures, and therefore, are reported as unavailable revenue in the funds.		254,941
Special assessments to pay long-term debt are unavailable in the governmental funds.		50,000
Interest on long-term debt is not accrued in governmental funds.		
Accrued interest payable		(20,331)
Long-term liabilities are not due and payable in the current period, therefore, are not reported in the funds.		
Bonds	\$ 6,502,042	
Compensated absences	180,621	
Accrued landfill postclosure care costs	<u>59,400</u>	
		<u>(6,742,063)</u>
Net position of governmental activities (Exhibit A)		<u><u>\$ 9,780,528</u></u>

The notes to the basic financial statements are an integral part of this statement.

EXHIBIT C-3
TOWN OF NEW LONDON, NEW HAMPSHIRE
Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Fiscal Year Ended June 30, 2014

	General	Wastewater Treatment Plant Capital Project	Permanent	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	\$ 4,282,934	\$ -	\$ -	\$ -	\$ 4,282,934
Licenses and permits	892,549	-	-	-	892,549
Intergovernmental	338,683	1,812,325	-	179,386	2,330,394
Charges for services	169,465	-	-	810,187	979,652
Miscellaneous	271,941	103	149,236	15,104	436,384
Total revenues	<u>5,955,572</u>	<u>1,812,428</u>	<u>149,236</u>	<u>1,004,677</u>	<u>8,921,913</u>
EXPENDITURES					
Current:					
General government	1,208,998	-	11,424	47,816	1,268,238
Public safety	1,550,742	-	-	-	1,550,742
Highways and streets	1,125,951	-	-	-	1,125,951
Sanitation	359,855	-	-	581,200	941,055
Health	174,599	-	-	-	174,599
Welfare	22,199	-	-	-	22,199
Culture and recreation	673,837	-	-	60,008	733,845
Conservation	31,079	-	-	-	31,079
Debt service:					
Principal	198,264	-	-	30,000	228,264
Interest	54,089	-	-	3,687	57,776
Capital outlay	255,229	1,812,325	-	204,531	2,272,085
Total expenditures	<u>5,654,842</u>	<u>1,812,325</u>	<u>11,424</u>	<u>927,242</u>	<u>8,405,833</u>
Excess of revenues over expenditures	<u>300,730</u>	<u>103</u>	<u>137,812</u>	<u>77,435</u>	<u>516,080</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	130,627	-	-	32,911	163,538
Transfers out	(20,023)	-	(29,949)	(113,566)	(163,538)
Total other financing sources (uses)	<u>110,604</u>	<u>-</u>	<u>(29,949)</u>	<u>(80,655)</u>	<u>-</u>
Net change in fund balances	411,334	103	107,863	(3,220)	516,080
Fund balances, beginning, as restated (see Note 16)	3,146,218	-	1,462,994	1,277,524	5,886,736
Fund balances, ending	<u>\$ 3,557,552</u>	<u>\$ 103</u>	<u>\$ 1,570,857</u>	<u>\$ 1,274,304</u>	<u>\$ 6,402,816</u>

The notes to the basic financial statements are an integral part of this statement.

EXHIBIT C-4
TOWN OF NEW LONDON, NEW HAMPSHIRE
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2014

Net change in fund balances of governmental funds (Exhibit C-3)		\$ 516,080
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures. In the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeded capitalized capital outlay in the current period.		
Capitalized capital outlay	\$ 301,908	
Depreciation expense	<u>(451,752)</u>	(149,844)
Transfers in and out between governmental funds are eliminated on the Statement of Activities.		
Transfers in	\$ (163,538)	
Transfers out	<u>163,538</u>	-
The receipt of long-term state aid provides current financial resources to governmental funds, but has no effect on net position.		
Decrease in intergovernmental receivable		(11,208)
Revenue in the Statement of Activities that does not provide current financial resources is not reported as revenue in the governmental funds.		
Change in deferred inflows - tax revenue		(38,383)
Special assessments not due until future periods are unavailable in the governmental funds.		
Decrease in deferred inflows - special assessments		(10,000)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.		
State Revolving loan fund drawdowns	\$ (1,812,325)	
Repayment of bond principal	<u>228,264</u>	(1,584,061)
Some expenses reported in the Statement of Activities do not require the use of current financial resources, and therefore, are not reported as expenditures in governmental funds.		
Decrease in accrued interest expense	\$ 3,867	
Increase in compensated absences payable	(18,168)	
Increase in accrued landfill postclosure care costs	<u>(31,400)</u>	(45,701)
Changes in net position of governmental activities (Exhibit B)		<u><u>\$ (1,323,117)</u></u>

The notes to the basic financial statements are an integral part of this statement.

EXHIBIT D
TOWN OF NEW LONDON, NEW HAMPSHIRE
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
General Fund
For the Fiscal Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 4,236,394	\$ 4,236,394	\$ 4,244,551	\$ 8,157
Licenses and permits	807,785	807,785	892,549	84,764
Intergovernmental	320,650	320,650	338,683	18,033
Charges for services	171,420	141,420	144,681	3,261
Miscellaneous	179,429	179,429	227,398	47,969
Total revenues	<u>5,715,678</u>	<u>5,685,678</u>	<u>5,847,862</u>	<u>162,184</u>
EXPENDITURES				
Current:				
General government	1,233,970	1,233,970	1,206,435	27,535
Public safety	1,593,305	1,593,305	1,549,215	44,090
Highways and streets	1,362,625	1,362,625	1,291,803	70,822
Sanitation	412,477	412,477	359,855	52,622
Health	176,556	176,556	174,599	1,957
Welfare	22,506	22,506	22,199	307
Culture and recreation	189,105	189,105	188,703	402
Conservation	41,894	41,894	31,079	10,815
Debt service:				
Principal	198,264	198,264	198,264	-
Interest	54,149	54,149	54,089	60
Capital outlay	340,600	282,981	255,229	27,752
Total expenditures	<u>5,625,451</u>	<u>5,567,832</u>	<u>5,331,470</u>	<u>236,362</u>
Excess of revenues over expenditures	<u>90,227</u>	<u>117,846</u>	<u>516,392</u>	<u>398,546</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	418,723	391,104	373,931	(17,173)
Transfers out	(908,950)	(908,950)	(908,950)	-
Total other financing sources (uses)	<u>(490,227)</u>	<u>(517,846)</u>	<u>(535,019)</u>	<u>(17,173)</u>
Net change in fund balances	<u>\$ (400,000)</u>	<u>\$ (400,000)</u>	(18,627)	<u>\$ 381,373</u>
Increase in nonspendable fund balance			(17,293)	
Unassigned fund balance, beginning, as restated (see Note 16)			<u>1,380,715</u>	
Unassigned fund balance, ending			<u>\$ 1,344,795</u>	

The notes to the basic financial statements are an integral part of this statement.

EXHIBIT E
TOWN OF NEW LONDON, NEW HAMPSHIRE
Fiduciary Funds
Statement of Fiduciary Net Position
June 30, 2014

	Agency
ASSETS	
Cash and cash equivalents	\$ 1,272,482
Investments	442,603
Total assets	1,715,085
LIABILITIES	
Accounts payable	3,324
Due to other governmental units	1,711,761
Total liabilities	1,715,085
NET POSITION	\$ -

The notes to the basic financial statements are an integral part of this statement.

TOWN OF NEW LONDON, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2014

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TOWN OF NEW LONDON, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
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TOWN OF NEW LONDON, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town of New London, New Hampshire (the Town), have been prepared in conformity with accounting principles generally accepted in the United States of America for governmental units as prescribed by the Governmental Accounting Standards Board (GASB) and other authoritative sources.

The more significant of the Town's accounting policies are described below.

1-A Reporting Entity

The Town of New London is a municipal corporation governed by an elected 3-member Board of Selectmen. The reporting entity is comprised of the primary government and any other organizations (*component units*) that are included to ensure that the financial statements are not misleading.

Component units are legally separate organizations for which the Town is financially accountable. The Town is financially accountable for an organization if the Town appoints a voting majority of the organization's governing board, and (1) the Town is able to significantly influence the programs or services performed or provided by the organizations; or (2) the Town is legally entitled to or can otherwise access the organization's resources; (3) the Town is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the Town is obligated for the debt of the organization. Based on the foregoing criteria, no other organizations are included in the Town's financial reporting entity.

1-B Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements.

The Statement of Net Position presents the financial position of the governmental activities of the Town at year-end. This statement includes all of the Town's assets, liabilities, and net position, with the exception of the long term costs of retirement, health care, and obligations for other postemployment benefits have also been omitted because the liability and expense have not been determined.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as *general revenues*. As in the Statement of Net Position mentioned above, the Town has not recorded other postemployment benefit expense in this statement.

Separate financial statements are provided for governmental and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

1-C Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements, except for agency funds which do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

TOWN OF NEW LONDON, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2014

Governmental fund financial statements are reported using the *current financial resources* measurement focus and the *modified accrual basis* of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, except for State shared revenue, reimbursement-based grants and interest which use one year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Property taxes, licenses and permits, intergovernmental revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available.

Non-exchange transactions, in which the Town receives value without directly giving equal value in return, include property taxes, grants, entitlement, and donations. On an accrual basis, revenue from property taxes is recognized in the year for which the tax is levied. Revenue from grants, entitlements, and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the Town must provide local resources to be used for a specific purpose, and expenditure requirements, in which the resources are provided to the Town on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

The Town reports the following major governmental funds:

General Fund – all general revenues and other receipts that are not allocated by law or contracted agreement to another fund are accounted for in this fund. This fund accounts for general operating expenditures, fixed charges, and the capital improvement costs that are not reported in other funds.

Wastewater Treatment Plant Capital Project Fund – accounts for the activity pertaining to the Town’s share of the cost relating to the construction/renovation of the Sunapee Wastewater Treatment Plant.

Permanent Funds – are held in the custody of the Trustees of Trust Funds and are used to account for resources held in trust for use by the Town.

All the governmental funds not meeting the criteria established for major funds are presented in the other governmental column of the fund financial statements.

Additionally, the Town reports the following fund types:

Special Revenue Funds - are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Capital Projects Funds - are used to account for the financial resources and activities relating to specific construction projects.

Agency Fund - used to account for assets held in a trustee or agency capacity on behalf of outside parties, including other governments.

1-D Cash and Cash Equivalents

The Town considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Deposits with financial institutions consist primarily of demand deposits, certificates of deposits, and savings accounts. A cash pool is maintained that is available for use by all funds. Each fund’s portion of this pool is reflected on the combined financial statements under the caption “cash and cash equivalents.”

TOWN OF NEW LONDON, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2014

The treasurer is required to deposit such moneys in solvent banks in state or the Public Deposit Investment Pool pursuant to New Hampshire RSA 383:22. Funds may be deposited in banks outside of the state if such banks pledge and deliver to a third party custodial bank or the Federal Reserve Bank, collateral security for such deposits, United States government or government agency obligations or obligations to the State of New Hampshire in value at least equal to the amount of the deposit in each case.

1-E Investments

State statutes place certain limitations on the nature of deposits and investments available as follows:

New Hampshire law authorizes the Town to invest in the following type of obligations:

- Obligations of the United States government,
- The public deposit investment pool established pursuant to RSA 383:22,
- Savings bank deposits,
- Certificates of deposit and repurchase agreements of banks incorporated under the laws of the State of New Hampshire or in banks recognized by the State treasurer.

Any person who directly or indirectly receives any such funds or moneys for deposit or for investment in securities of any kind shall, prior to acceptance of such funds, make available at the time of such deposit or investment an option to have such funds secured by collateral having a value at least equal to the amount of such funds. Such collateral shall be segregated for the exclusive benefit of the Town. Only securities defined by the bank commissioner as provided by rules adopted pursuant to RSA 386:57 shall be eligible to be pledged as collateral.

Investments for the Town are reported at fair value generally based on quoted market prices.

1-F Receivables

Receivables recorded in the financial statements represent amounts due to the Town at June 30. They are aggregated into a single accounts receivable (net of allowance for uncollectibles) line for certain funds and aggregated columns. They consist primarily of taxes, billing for charges, and other user fees.

1-G Interfund Balances

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Short-term Interfund loans are reported as "Interfund receivables and payables." Interfund receivables and payables between funds are eliminated in the Statement of Net Position.

1-H Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental column in the government-wide financial statements. The amount reported for infrastructure includes only assets added since 1979.

Capital assets are defined by the Town as assets with an initial, individual cost of more than \$10,000 and an estimated minimum useful life in excess of one year. As the Town constructs or acquires additional capital assets each year, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at their estimated fair value at the date of donation.

Land and construction in progress are not depreciated. The other property, plant, and equipment of the Town are depreciated using the straight-line method over the following estimated useful lives:

Capital Asset Classes:	<u>Years</u>
Buildings and building improvements	25-40
Machinery, equipment, and vehicles	3-20
Infrastructure	20-50

TOWN OF NEW LONDON, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2014

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets are not capitalized and related depreciation is not reported in the fund financial statements.

1-I Deferred Inflows of Resources

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only two types of item, which arises only under the modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, these items are reported only in the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amount becomes available.

1-J Property Taxes

Property tax billings occur semi-annually and are based on the assessed inventory values as of April 1 of each year. Billings for the year were on January 2, 2014 and July 1, 2014. Interest accrues at a rate of 12% on bills outstanding after the due date and 18% on tax liens outstanding.

In connection with the setting of the tax rate, Town officials with the approval of the Department of Revenue Administration, establish and raise through taxation an amount for tax abatement and refunds, known as overlay. This amount is reported as a reduction in tax revenue and is adjusted by management for any reserve for uncollectable at year end. The property taxes collected by the Town include taxes levied for the State of New Hampshire, Kearsarge Regional School District, New London-Springfield Water Precinct, and Merrimack County, which are remitted to these entities as required by law.

The Town net assessed valuation as of April 1, 2014 utilized in the setting of the tax rate was as follows:

For the New Hampshire education tax	\$ 1,086,338,382
For all other taxes	\$ 1,096,250,482

The tax rates and amounts assessed for the year ended June 30, 2014 were as follows:

	Per \$1,000 of Assessed Valuation	Property Taxes Assessed
Municipal portion	\$4.01	\$ 4,399,489
School portion:		
State of New Hampshire	\$2.41	2,617,444
Local	\$5.75	6,298,681
County portion	\$2.88	3,159,067
Precinct portions:		
New London-Springfield	\$1.12	429,915
Total		\$ 16,904,596

1-K Compensated Absences

The Town's policy allows certain employees to earn varying amounts of vacation based on the employee's length of employment. Upon separation from service, employees are paid in full for any accrued leave earned as set forth by personnel policy. The liability for such leave is reported as incurred in the government-wide financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements.

1-L Long-Term Obligations

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities.

TOWN OF NEW LONDON, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2014

1-M Claims and Judgments

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. Claims and judgments that would normally be liquidated with expendable available financial resources are recorded during the year as expenditures in the governmental funds. Claims and judgments are recorded in the government-wide financial statements as expense when the related liabilities are incurred. There were no significant claims or judgments at year-end.

1-N Interfund Activities

Interfund activities are reported as follows:

Interfund Receivables and Payables – Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “due to/from other funds.” Interfund receivables and payables between funds are eliminated in the Statement of Net Position.

Interfund Transfers – Interfund transfers represent flows of assets without equivalent flows of assets in return and without a requirement for repayment. In governmental funds, transfers are reported as other financing uses in the funds making the transfers and other financing sources in the funds receiving the transfers. In the government-wide financial statements, all interfund transfers between individual governmental funds have been eliminated.

1-O Net Position/Fund Balance Reporting

Government-wide Statements – Equity is classified as net position and displayed in three components:

- a) *Net investment in capital assets* – Consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets.
- b) *Restricted net position* – Consists of net position with constraints placed on use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c) *Unrestricted net position* – All other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

Fund Balance Classifications - The fund balance of governmental funds is reported in five categories based on the nature of any limitations requiring the use of resources for specific programs. The Town itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance). The classifications used in the Town’s governmental fund financial statements are as follows:

Nonspendable – This classification includes amounts that cannot be spent because they are either (a) not in spendable form; or (b) are legally or contractually required to be maintained intact.

Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the legislative body (Town Meeting). These amounts cannot be used for any other purpose unless the legislative body removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

Assigned – This classification includes amounts that are constrained by the Town’s intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Selectmen through the budgetary process.

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Unassigned – This classification includes the residual fund balance for the general fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts.

When multiple net position/fund balance classifications are available for use, it is the government’s policy to utilize the most restricted balances first, then the next most restricted balance as needed. When components of unrestricted fund balance are used, committed fund balance is depleted first followed by assigned fund balance. Unassigned fund balance is applied last.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

2-A Budgetary Information

General governmental revenues and expenditures accounted for in budgetary funds are controlled by a formal integrated budgetary accounting system in accordance with various legal requirements which govern the Town’s operations. At its annual meeting, the Town adopts a budget for the current year for the general fund, as well as the nonmajor sewer fund. Except as reconciled below, the budget was adopted on a basis consistent with US generally accepted accounting principles.

Management may transfer appropriations between operating categories as deemed necessary, but expenditures may not legally exceed budgeted appropriations in total. All annual appropriations lapse at year-end unless encumbered.

Encumbrance accounting, under which purchase orders, contracts, and continuing appropriations (certain projects and specific items not fully expended at year-end) are recognized, is employed in the governmental funds. Encumbrances are not the equivalent of expenditures, and are therefore, reported as part of the assigned fund balance at year-end, and are carried forward to supplement appropriations of the subsequent year.

State statutes require balanced budgets, but provide for the use of beginning unassigned fund balance to achieve that end. For the fiscal year 2014, \$400,000 of the beginning general fund unassigned fund balance was applied for this purpose.

2-B Budgetary Reconciliation to GAAP Basis

The Town employs certain accounting principles for budgetary reporting purposes that differ from a GAAP basis. The Statement of Revenues, Expenditures, and Changes in Fund Balance-Budgetary Basis presents the actual results to provide a comparison with the budget. The major difference between the budgetary basis and GAAP basis is as follows:

Encumbrances outstanding at year-end do not represent GAAP expenditures or liabilities, but represent budgetary accounting controls. Governmental fund budgets are maintained on the modified accrual basis of accounting except that budgetary basis expenditures include purchase orders and commitments (encumbrances) for goods or services not received at year-end. Encumbrances are recorded to reserve a portion of fund balance in the governmental fund types for commitments for which no liability exists.

The following reconciles the general fund budgetary basis to the GAAP basis:

Revenues and other financing sources:	
Per Exhibit D (budgetary basis)	\$ 6,221,793
Adjustment:	
Basis difference:	
GASB Statement No. 54:	
To record revenue of the blended funds	69,327
Net effect of transfers between blended funds	(243,304)
Change in deferred tax revenue relating to 60-day revenue recognition	38,383
Per Exhibit C-3 (GAAP basis)	<u>\$ 6,086,199</u>
	<i>(Continued)</i>

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Budgetary reconciliation to GAAP basis continued:

Expenditures and other financing uses:	
Per Exhibit D (budgetary basis)	\$ 6,240,420
Adjustment:	
Basis differences:	
Encumbrances, beginning	58,969
Encumbrances, ending	(222,531)
GASB Statement No. 54:	
To record expenditures of the blended funds	486,934
Net effect of transfers between blended funds	(888,927)
Per Exhibit C-3 (GAAP basis)	<u>\$ 5,674,865</u>

DETAILED NOTES ON ALL FUNDS

NOTE 3 – CASH AND CASH EQUIVALENTS

At June 30, 2013, the reported amount of the Town’s deposits was \$7,846,500 and the bank balance was \$8,262,852. Of the bank balance \$5,329,966 was covered by federal depository insurance or by collateral held by the Town’s agent in the Town’s name, and \$2,932,886 was uninsured and uncollateralized.

Cash and cash equivalents reconciliation:

Cash per Statement of Net Position (Exhibit A)	\$ 6,574,018
Cash per Statement of Fiduciary Net Position (Exhibit E)	<u>1,272,482</u>
Total cash and cash equivalents	<u>\$ 7,846,500</u>

NOTE 4 – INVESTMENTS

Note 1-E describes statutory requirements covering the investment of the Town funds. The Town also maintains a portfolio of intermediate maturity investments that are reported at fair value, based on quoted market prices. The Town’s fiscal agent or custodian provides the fair value of all intermediate maturity investments.

At June 30, 2014, this Town had the following investments and maturities:

	<u>Fair Value</u>	<u>Year</u>	<u>1-5 Years</u>	<u>6-10 Years</u>	<u>Total</u>
Investments type:					
New Hampshire Public Deposit Investment Pool	\$ 134,054	\$ -	\$ -	\$ -	\$ 134,054
Corporate bonds	-	-	45,438	39,825	85,263
Fixed income exchange traded funds	374,310	-	-	-	374,310
Equity exchange traded funds	689,669	-	-	-	689,669
Fixed income mutual funds	323,226	-	-	-	323,226
Certificates of deposit	-	94,766	1,967,196	98,084	2,160,046
Total fair value	<u>\$ 1,521,259</u>	<u>\$ 94,766</u>	<u>\$ 2,012,634</u>	<u>\$ 137,909</u>	<u>\$ 3,766,568</u>

Interest Rate Risk – This is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. The Town does have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

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Credit Risk – The Town’s investment pool had the following credit risk structure at June 30, 2014:

Investment Type	Credit Rating*	Fair Value	Percent of Grand Total
Corporate bonds:			
JP Morgan Chase	A3	\$ 45,438	53.29%
Wells Fargo	A2	39,825	46.71%
*Per Moody's		<u>\$ 85,263</u>	<u>100.00%</u>

Concentration of Credit Risk – The Town places no limit on the amount it may invest in any one issuer. More than 5% of the Town’s investments are in Bank of China, Goldman Sachs, Bank of Baroda, Discover Bank, Bank of India, and Beal Bank. These investments are 8.31%, 6.77%, 6.73%, 6.65%, 6.37%, and 5.04% respectively, of the Town’s total investments.

Investment reconciliation:

Investments per Statement of Net Position (Exhibit A)	\$ 3,323,965
Investments per Statement of Fiduciary Net Position (Exhibit E)	442,603
Total investments	<u>\$ 3,766,568</u>

NOTE 5 – TAXES RECEIVABLE

Taxes receivable represent the amount of current and prior year taxes which have not been collected as of June 30, 2014. Taxes receivable by year are as follows:

Property:	
Levy of 2013	\$ 5,182,726
Unredeemed (under tax lien):	
Levy of 2012	105,904
Levy of 2011	57,011
Levies of 2010 and prior	35,904
Net taxes receivable	<u>\$ 5,381,545</u>

NOTE 6 – OTHER RECEIVABLES

Receivables at June 30, 2014, consisted of accounts (billings user charges) and intergovernmental amounts arising from grants. Receivables are recorded on the Town’s financial statements to the extent that the amounts are determined to be material and substantiated not only by supporting documentation, but also by a reasonable, systematic method of determining their existence, completeness, valuation, and collectability.

NOTE 7 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2014 consisted of the following:

	Balance, beginning	Additions	Disposals	Balance, ending
At cost:				
Not being depreciated:				
Land	\$ 3,481,719	\$ -	\$ (4,875)	\$ 3,476,844
Construction in progress	107,054	184,017	(94,054)	197,017
Total capital assets not being depreciated	<u>3,588,773</u>	<u>184,017</u>	<u>(98,929)</u>	<u>3,673,861</u>
Being depreciated:				
Buildings and building improvements	5,383,094	-	-	5,383,094
Machinery, equipment, and vehicles	4,098,206	116,255	-	4,214,461
Infrastructure	1,076,828	100,565	-	1,177,393
Total capital assets being depreciated	<u>10,558,128</u>	<u>216,820</u>	<u>-</u>	<u>10,774,948</u>
Total all capital assets	<u>14,146,901</u>	<u>400,837</u>	<u>(98,929)</u>	<u>14,448,809</u>

(Continued)

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Capital assets continued:

	<u>Balance, beginning</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance, ending</u>
Less accumulated depreciation:				
Buildings and building improvements	(1,892,200)	(136,467)	-	(2,028,667)
Machinery, equipment, and vehicles	(2,181,228)	(292,207)	-	(2,473,435)
Infrastructure	(128,004)	(23,078)	-	(151,082)
Total accumulated depreciation	<u>(4,201,432)</u>	<u>(451,752)</u>	<u>-</u>	<u>(4,653,184)</u>
Net book value, capital assets being depreciated	<u>6,356,696</u>	<u>(234,932)</u>	<u>-</u>	<u>6,121,764</u>
Net book value, all capital assets	<u>\$ 9,945,469</u>	<u>\$ (50,915)</u>	<u>\$ (98,929)</u>	<u>\$ 9,795,625</u>

Depreciation expense was charged to functions of the Town based on their usage of the related assets. The amounts allocated to each function are as follows:

General government	\$ 89,071
Public safety	144,434
Highways and streets	162,965
Sanitation	11,610
Culture and recreation	43,672
Total depreciation expense	<u>\$ 451,752</u>

NOTE 8 – INTERFUND BALANCES AND TRANSFERS

Interfund Balances - The composition of interfund balances as of June 30, 2014 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Permanent fund	\$ 16,366
	Nonmajor	30,858
Nonmajor	General	20,023
	Wastewater treatment plant capital project	56,974
		<u>\$ 124,221</u>

The outstanding balances among funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Interfund Transfers - The composition of interfund transfers for the year ended June 30, 2014 is as follows:

	<u>Transfers In:</u>		
	<u>General Fund</u>	<u>Nonmajor Funds</u>	<u>Total</u>
Transfers out:			
General fund	\$ -	\$ 20,023	\$ 20,023
Permanent fund	29,949	-	29,949
Nonmajor funds	100,678	12,888	113,566
Total	<u>\$ 130,627</u>	<u>\$ 32,911</u>	<u>\$ 163,538</u>

During the year, transfers are used to (1) move revenues from the fund with collection authority to the fund responsible for expenditure and (2) move general fund resources to provide an annual subsidy.

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NOTE 9 – INTERGOVERNMENTAL PAYABLES

Amounts due to other governments at June 30, 2014 consist of the following:

General fund:	
Balance of 2014-2015 district assessment due to Kearsarge Regional School District	\$ 4,454,290
Balance of 2014-2015 property tax commitment due to the New London-Springfield Water Precinct	313,080
Balance of 2014-2015 property tax commitment due to Merrimack County	1,578,197
Town clerk fees due to the State of New Hampshire	1,380
Other miscellaneous items	8,028
Total intergovernmental payables due from general fund	<u>\$ 6,354,975</u>
Agency fund:	
Balance of the Kearsarge Regional School District trust funds held by the Trustees of Trust Funds	<u>\$ 1,711,761</u>

NOTE 10 – DEFERRED INFLOW OF RESOURCES

Deferred inflows of resources reported in the governmental funds for unavailable revenues are as follows:

	General Fund	Nonmajor Governmental Funds	Total
Property tax revenue committed but not due until subsequent period	\$ 2,197,883	\$ -	\$ 2,197,883
Uncollected property tax balance 60 days subsequent to the fiscal year-end	254,941 *	-	254,941
Special assessment revenue levied in advance	-	5,000	5,000
Betterment assessment collected in advance of eligible debt expenditures	-	50,000 *	50,000
Total deferred inflows of resources	<u>\$ 2,452,824</u>	<u>\$ 55,000</u>	<u>\$ 2,507,824</u>

*The following balances are only recognized on a modified accrual basis of accounting.

NOTE 11 – LONG-TERM LIABILITIES

Changes in the Town's long-term liabilities consisted of the following for the year ended June 30, 2014:

	Balance July 1, 2013 (as restated)	Additions	Reductions	Balance June 30, 2014	Due Within One Year
General obligation bonds/notes payable	\$ 4,917,981	\$ 1,812,325	\$ (228,264)	\$ 6,502,042	\$ 233,264
Compensated absences	162,453	18,168	-	180,621	17,530
Accrued landfill postclosure care costs	28,000	31,400	-	59,400	6,600
Total long-term liabilities	<u>\$ 5,108,434</u>	<u>\$ 1,861,893</u>	<u>\$ (228,264)</u>	<u>\$ 6,742,063</u>	<u>\$ 257,394</u>

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Long term bonds/notes are comprised of the following:

	Issue Date	Maturity Date	Interest Rate %	Outstanding at June 30, 2014
General obligation bonds/notes payable:				
Town office renovations	1999	2019	4.5-5.25%	\$ 415,000
Sewer line extension	1999	2018	4.5-5.25%	50,000
Town building improvements	2005	2024	3.72%	482,867
Land purchase	2007	2017	3.99%	90,000
Library repairs	2007	2017	3.99%	59,100
Landfill	2007	2016	3.80%	68,108
Sewer construction	2007	2016	3.80%	20,000
Library repairs	2011	2027	2.60%	320,666
ARRA/State Revolving loan*	2013			4,996,301
Total				<u>\$ 6,502,042</u>

***Water Pollution Control Revolving Loan Fund Program** – Drawdowns received under the Water Pollution Control Revolving Loan Fund Program will be consolidated by a promissory note upon substantial completion of the Sunapee wastewater treatment facility. Management is of the opinion that 25% of the total drawdowns will be forgiven as a results of the American Recovery and Reinvestment Act (ARRA) through the State of New Hampshire. However, as of June 30, 2014, drawdowns received to date totaling \$4,996,301 are recorded on the Town’s financial statements, exclusive of the 25% anticipated forgiveness. Interest on the drawdowns accrues from the date of the drawdown at 1.00% per annum. The note, plus interest, will be repaid from the Town’s governmental funds.

The annual requirements to amortize all general obligation bonds/notes outstanding as of June 30, 2014, including interest payments, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2015	\$ 233,264	\$ 56,166	\$ 289,430
2016	218,264	46,779	265,043
2017	211,372	37,603	248,975
2018	148,564	29,093	177,657
2019	153,564	22,487	176,051
2020-2024	422,818	48,302	471,120
2025-2027	117,895	3,697	121,592
Totals	<u>\$ 1,505,741</u>	<u>\$ 244,127</u>	<u>\$ 1,749,868</u>

All debt is general obligation debt of the Town, which is backed by its full faith and credit, and will be repaid from general governmental revenues. ARRA/State revolving loans are not included above as the project has not yet been completed.

Accrued Landfill Postclosure Care Costs – The Town ceased operating its landfill in prior years. Federal and State laws and regulations require that the Town place a final cover on its landfill when closed and perform certain maintenance and monitoring functions at the landfill site after closure. A liability is being recognized based on the future postclosure care costs that will be incurred. The recognition of these landfill postclosure care costs is based on the amount of the landfill used through the end of the year. The estimated liability for landfill postclosure care costs has a balance of \$59,400 as of June 30, 2014. The estimated total current cost of the landfill postclosure care (\$6,600) is based on the amount that would be paid if all equipment, facilities, and services required to monitor and maintain the landfill were acquired as of June 30, 2014. However, the actual cost of postclosure care may be higher or lower due to inflation, changes in technology, or changes in landfill laws and regulations.

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NOTE 12 – ENCUMBRANCES

Encumbrances outstanding at June 30, 2014 are as follows:

General fund:		
General government	\$	6,036
Public safety		15,000
Highways and streets		188,495
Sanitation		5,000
Health		8,000
Total encumbrances		<u>\$ 222,531</u>

NOTE 13 – STATE AID TO WATER POLLUTION PROJECTS

Under New Hampshire RSA Chapter 486, the Town receives from the State of New Hampshire a percentage of the annual amortization charges on the original costs resulting from the acquisition and construction of sewage disposal facilities. At June 30, 2014, the Town is due to receive the following annual amounts to offset debt payments:

<u>Bonds Issued</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Edmunds Road Area Sewer	\$ 14,790	\$ 2,329	\$ 17,119
Georges Mill Pump Station Improvement	24,750	2,433	27,183
Total	<u>\$ 39,540</u>	<u>\$ 4,762</u>	<u>\$ 44,302</u>

NOTE 14 – GOVERNMENTAL ACTIVITIES NET POSITION

Governmental activities net position reported on the government-wide Statement of Net Position at June 30, 2014 include the following:

Net investment in capital assets:		
Net property, buildings, and equipment	\$	9,795,625
Less:		
General obligation bonds payable		<u>(1,505,741) *</u>
Total net investment in capital assets		<u>8,289,884</u>
Restricted:		
Nonexpendable permanent funds		1,402,933
Expendable permanent funds		167,924
Capital projects		1,387
Total restricted		<u>1,572,244</u>
Unrestricted		<u>(81,600)</u>
Total net position	\$	<u>9,780,528</u>

*Balance of ARRA/State Revolving loan drawdowns not included in above balance as Town will not retain ownership of actual asset (Wastewater Treatment Plant).

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NOTE 15 – GOVERNMENTAL FUND BALANCES

Governmental fund balances reported on the fund financial statements at June 30, 2014 include the following:

Nonspendable:		
Major funds:		
General:		
Tax deeded property, subject to resale	\$ 17,293	
Permanent:		
Principal balance	<u>1,402,933</u>	
Total nonspendable fund balance		\$ 1,420,226
Restricted:		
Major funds:		
General:		
Library fund	\$ 136,672	
Permanent:		
Income balance	167,924	
Wastewater treatment plant capital project	<u>103</u>	
	<u>304,699</u>	
Nonmajor funds:		
Conservation commission	13,085	
Capital cost recovery	11,673	
Library building	<u>1,284</u>	
	<u>26,042</u>	
Total restricted fund balance		330,741
Committed:		
Major fund:		
General:		
Expendable trust	\$ 2,067,134	
Non-lapsing appropriations	<u>30,500</u>	
	<u>2,097,634</u>	
Nonmajor funds:		
Sewer department	1,030,934	
Sewer expendable trusts	171,725	
Recreation	40,603	
Recycling	<u>5,000</u>	
	<u>1,248,262</u>	
Total committed fund balance		3,345,896
Assigned:		
Major fund:		
General:		
Encumbrances		216,099
Unassigned:		
Major fund:		
General		
		<u>1,089,854</u>
Total governmental fund balances		<u><u>\$ 6,402,816</u></u>

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NOTE 16 – PRIOR PERIOD ADJUSTMENTS

Net position/fund balance at July 1, 2013 was restated to give retroactive effect to the following prior period adjustments:

	Government-wide Statements	General Fund	Pleasant Street Sidewalk	Sewer Department	Wastewater Treatment Plant Capital Project
To reclassify project expenditures, previously reported in the general fund	\$ 27,192	\$ 27,192	* \$ (27,192)	\$ -	\$ -
To reclassify project expenditures, previously reported in the sewer fund	32,160	-	-	32,160	(32,160)
To record receivable for prior year expenditures, reimbursed in current period	-	-	27,192	-	32,160
Prior period project expenditures, now included in State Revolving Loan Fund draw downs	(333,236)	-	-	-	-
Adjustment to prior year 60 day calculation	-	(140,902)	-	-	-
Net position/fund balance, as previously reported	11,377,529	3,259,928	-	1,169,736	-
Net position/fund balance, as restated	<u>\$ 11,103,645</u>	<u>\$ 3,146,218</u>	<u>\$ -</u>	<u>\$ 1,201,896</u>	<u>\$ -</u>

*The above general fund prior period adjustment results in a restated beginning unassigned fund balance, budgetary basis, of \$1,380,715.

NOTE 17 – EMPLOYEE RETIREMENT PLAN

The Town participates in the New Hampshire Retirement System (the System) which is the administrator of a cost-sharing multiple-employer contributory pension plan and trust established in 1967 by RSA 100-A:2 and is qualified as a tax-exempt organization under Sections 401(a) and 501(a) of the Internal Revenue Code. The plan is a contributory, defined benefit plan providing service, disability, death and vested retirement benefits to members and their beneficiaries. Provision for benefits and contributions are established and can be amended by the New Hampshire Legislature. The System issues a publicly available financial report that may be obtained by writing the New Hampshire Retirement System, 54 Regional Drive, Concord, NH 03301.

The System is financed by contributions from both the employees and the Town. Member contribution rates are established and may be amended by the State legislature while employer contribution rates are set by the System trustees based on an actuarial valuation. For fiscal year 2013, all employees except police officers and firefighters were required to contribute 7% of earnable compensation. The contribution rates were 11.55% for police officers and 11.80% for firefighters. The Town's contribution rates for 2014 for pension and medical subsidy were as follows:

Police	Fire	All Other Employees
25.30%	27.74%	10.77%

The contribution requirements for the Town of New London for the periods 2012 (18-month), 2013, and 2014 were \$357,182, \$234,973, and \$290,709, respectively, which were paid in full in each year.

NOTE 18 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

In addition to pension benefits described in preceding note, the Town provides postemployment benefit options for health care to eligible retirees, terminated employees, and their dependents. The benefits are provided in accordance with the Town's agreements, collective bargaining agreements, and the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA). The criteria to determine eligibility include: years of service, employee age, and whether the employee has vested in the respective retirement plan. The Town funds the benefits on a pay-as-you-go basis. Eligible employees are required to pay set premiums for a portion of the cost with the Town subsidizing the remaining costs. Expenses for the postretirement health care benefits are recognized as eligible employee claims are paid.

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The Governmental Accounting Standards Board (GASB) issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. GASB Statement No. 45, which was effective for the Town on January 1, 2009, requires that the long-term cost of retirement health care and obligations for other postemployment benefits (OPEB) be determined on an actuarial basis and reported on the financial statements. The Town has not implemented GASB Statement No. 45 at June 30, 2014 or contracted with an actuarial firm to assist in evaluating the impact of this new standard on the Town. The amounts that should be recorded as the annual required contribution/OPEB cost and the net OPEB obligation are unknown.

NOTE 19 – RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters. During fiscal year 2014, the Town was a member of the Local Government Center Property-Liability Trust, LLC Workers' Compensation and Property/Liability Programs. This entity is considered a public entity risk pools, currently operating as common risk management and insurance programs for member Towns and cities.

The Local Government Center Property-Liability Trust, LLC, is a Trust organized to provide certain property and liability insurance coverages to member Towns, cities and other qualified political subdivisions of New Hampshire. As a member of the Local Government Center Property-Liability Trust, LLC, the Town shares in contributing to the cost of, and receiving benefits from, a self-insured pooled risk management program. The membership and coverage run from July 1 to June 30. The program maintains a self-insured retention above which it purchases reinsurance and excess insurance. This policy covers property, auto physical damage, crime, general liability, and public officials' liability subject to a \$1,000 deductible.

Contributions paid in fiscal year ending June 30, 2014, to be recorded as an insurance expenditure totaled \$71,201. The town also paid \$25,113 for worker's compensation. There were no unpaid contributions for the year ended June 30, 2014.

NOTE 20 – CONTINGENCIES

The Town participates in various federal grant programs, the principal of which are subject to program compliance audits pursuant to the Single Audit Act as amended. Accordingly, the government's compliance with applicable grant requirements will be established at a future date. The amount of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the government anticipates such amounts, if any, will be immaterial.

NOTE 21 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

The following GASB pronouncements were implemented by the Town for the fiscal year ended June 30, 2014, which included the early implementation of GASB Statement No. 65. Only GASB Statement No. 63 and GASB Statement No. 65 impacted these financial statements:

GASB Statement No. 66, *Technical Corrections – 2012 – An Amendment of GASB Statements No. 10 and No. 62*, issued March 2012. This Statement is intended to resolve conflicting accounting and financial report and guidance that emerged from two recent standards, Statement No. 54 and Statement No. 62. These standards conflicted with existing guidance in Statements No. 10, 13, and 48.

GASB Statement No. 67, *Financial Reporting for Pension Plans*, issued in June 2012. The guidance contained in this Statement will change how governments calculate and report the costs and obligations associated with pensions in important ways. They replace the requirements of Statements No. 27 and 50.

GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, issued in April 2013. The objective of this Statement is to improve accounting and financial reporting by governments that extend and receive nonexchange financial guarantees.

The Governmental Accounting Standards Board (GASB) has issued several pronouncements that have effective dates that may impact future financial presentations. Management has not currently determined what, if any, impact implementation of the following statements may have on the financial statements:

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, issued in June 2012, will be effective for the Town beginning with its fiscal year ending June 30, 2015. The guidance contained in this Statement will change how governments calculate and report the costs and obligations associated with pensions in important ways. This replaces the requirements of Statements No. 27 and 50.

TOWN OF NEW LONDON, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2014

GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, issued in January 2013, will be effective for the Town beginning with its fiscal year ending June 30, 2015. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations that have been transferred or sold.

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, issued in November 2013, should be implemented simultaneously with the provision of Statement No. 68, beginning with the fiscal year ending June 30, 2015. This Statement addresses an issue in Statement No. 68 concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation of that Statement by employers and nonemployer contributing entities.

NOTE 22 – SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the balance sheet date, but before the financial statements are issued. Recognized subsequent events are events or transactions that provided additional evidence about conditions that existed at the balance sheet date, including the estimates inherent in the process of preparing the financial statements. Nonrecognized subsequent events are events that provide evidence about conditions that did not exist at the balance sheet date, but arose after the date. Management has evaluated subsequent events through April 10, 2015, the date the June 30, 2014 financial statements were available to be issued, and no events occurred that require recognition or disclosure.

COMBINING AND INDIVIDUAL FUND SCHEDULES

SCHEDULE 1
TOWN OF NEW LONDON, NEW HAMPSHIRE
Major General Fund
Schedule of Estimated and Actual Revenues (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2014

	Estimated	Actual	Variance Positive (Negative)
Taxes:			
Property	\$ 4,162,446	\$ 4,164,286	\$ 1,840
Land use change	5,000	3,735	(1,265)
Yield	2,527	6,351	3,824
Excavation	74	120	46
Interest and penalties on taxes	66,347	70,059	3,712
Total from taxes	<u>4,236,394</u>	<u>4,244,551</u>	<u>8,157</u>
Licenses, permits, and fees:			
Business licenses, permits, and fees	24,150	45,408	21,258
Motor vehicle permit fees	727,480	778,928	51,448
Other	56,155	68,213	12,058
Total from licenses, permits, and fees	<u>807,785</u>	<u>892,549</u>	<u>84,764</u>
Intergovernmental:			
State:			
Meals and rooms distribution	201,800	201,800	-
Highway block grant	118,850	119,280	430
Federal:			
FEMA	-	13,600	13,600
Other	-	4,003	4,003
Total from intergovernmental	<u>320,650</u>	<u>338,683</u>	<u>18,033</u>
Charges for services:			
Income from departments	<u>141,420</u>	<u>144,681</u>	<u>3,261</u>
Miscellaneous:			
Sale of municipal property	10,900	17,405	6,505
Interest on investments	4,506	2,955	(1,551)
Rent of property	14,000	16,250	2,250
Fines and forfeits	4,826	5,580	754
Insurance dividends and reimbursements	51,005	62,159	11,154
Contributions and donations	94,192	121,222	27,030
Other	-	1,827	1,827
Total from miscellaneous	<u>179,429</u>	<u>227,398</u>	<u>47,969</u>
Other financing sources:			
Transfers in	<u>391,104</u>	<u>373,931</u>	<u>(17,173)</u>
Total revenues and other financing sources	6,076,782	<u>\$ 6,221,793</u>	<u>\$ 145,011</u>
Unassigned fund balance used to reduce tax rate	400,000		
Total revenues, other financing sources, and use of fund balance	<u>\$ 6,476,782</u>		

SCHEDULE 2
TOWN OF NEW LONDON, NEW HAMPSHIRE
Major General Fund
Schedule of Appropriations, Expenditures, and Encumbrances (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2014

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Current:					
General government:					
Executive	\$ -	\$ 293,026	\$ 280,066	\$ -	\$ 12,960
Election and registration	-	82,145	67,629	-	14,516
Financial administration	3,518	263,616	254,906	-	12,228
Revaluation of property	-	82,900	87,607	-	(4,707)
Legal	-	20,200	48,643	-	(28,443)
Personnel administration	-	85,582	72,938	-	12,644
Planning and zoning	2,500	85,955	80,946	2,500	5,009
General government buildings	781	196,146	196,580	3,536	(3,189)
Cemeteries	-	30,436	27,928	-	2,508
Insurance, not otherwise allocated	-	76,274	72,266	-	4,008
Advertising and regional associations	-	17,690	17,689	-	1
Total general government	<u>6,799</u>	<u>1,233,970</u>	<u>1,207,198</u>	<u>6,036</u>	<u>27,535</u>
Public safety:					
Police	16,527	947,690	892,530	15,000	56,687
Fire	-	299,782	295,168	-	4,614
Emergency management	-	5,850	3,330	-	2,520
Dispatching	-	339,983	359,714	-	(19,731)
Total public safety	<u>16,527</u>	<u>1,593,305</u>	<u>1,550,742</u>	<u>15,000</u>	<u>44,090</u>
Highways and streets:					
Public works garage	122	846,925	794,538	-	52,509
Highways and streets	22,521	499,700	315,065	188,495	18,661
Street lighting	-	16,000	16,348	-	(348)
Total highways and streets	<u>22,643</u>	<u>1,362,625</u>	<u>1,125,951</u>	<u>188,495</u>	<u>70,822</u>
Sanitation:					
Solid waste disposal	5,000	386,977	344,313	5,000	42,664
Solid waste clean-up	-	25,500	15,542	-	9,958
Total sanitation	<u>5,000</u>	<u>412,477</u>	<u>359,855</u>	<u>5,000</u>	<u>52,622</u>
Health:					
Administration	8,000	5,436	3,502	8,000	1,934
Health agencies	-	171,120	171,097	-	23
Total health	<u>8,000</u>	<u>176,556</u>	<u>174,599</u>	<u>8,000</u>	<u>1,957</u>
Welfare:					
Administration	-	2,697	2,693	-	4
Intergovernmental welfare payments	-	3,809	3,809	-	-
Vendor payments	-	16,000	15,697	-	303
Total welfare	<u>-</u>	<u>22,506</u>	<u>22,199</u>	<u>-</u>	<u>307</u>
Culture and recreation:					
Parks and recreation	-	162,205	161,743	-	462
Library	-	15,600	15,600	-	-
Patriotic purposes	-	300	300	-	-
Other	-	11,000	11,060	-	(60)
Total culture and recreation	<u>-</u>	<u>189,105</u>	<u>188,703</u>	<u>-</u>	<u>402</u>
Conservation	-	41,894	31,079	-	10,815

(Continued)

SCHEDULE 2 (Continued)
TOWN OF NEW LONDON, NEW HAMPSHIRE
Major General Fund
Schedule of Appropriations, Expenditures, and Encumbrances (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2014

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Debt service:					
Principal of long-term debt	-	198,264	198,264	-	-
Interest on long-term debt	-	54,148	54,089	-	59
Interest on tax anticipation notes	-	1	-	-	1
Total debt service	-	252,413	252,353	-	60
Capital outlay	-	282,981	255,229	-	27,752
Other financing uses:					
Transfers out	-	908,950	908,950	-	-
Total appropriations, expenditures, other financing uses, and encumbrances	\$ 58,969	\$ 6,476,782	\$ 6,076,858	\$ 222,531	\$ 236,362

SCHEDULE 3
TOWN OF NEW LONDON, NEW HAMPSHIRE
Major General Fund
Schedule of Changes in Unassigned Fund Balance
For the Fiscal Year Ended June 30, 2014

Unassigned fund balance, beginning (Non-GAAP Budgetary Basis), as restated (see Note 16)		\$ 1,380,715
Changes:		
Unassigned fund balance used to reduce 2014 tax rate		(400,000)
2014 Budget summary:		
Revenue surplus (Schedule 1)	\$ 145,011	
Unexpended balance of appropriations (Schedule 2)	<u>236,362</u>	
2014 Budget surplus		381,373
Increase in nonspendable fund balance		<u>(17,293)</u>
Unassigned fund balance, ending (Non-GAAP Budgetary Basis)		1,344,795
<i>Reconciliation of Non-GAAP Budgetary Basis to GAAP Basis:</i>		
To comply with generally accepted accounting principles by deferring property taxes not collected within 60 days of fiscal year-end		<u>(254,941)</u>
Unassigned fund balance, ending (GAAP basis Exhibit C-1)		<u><u>\$ 1,089,854</u></u>

SCHEDULE 4
TOWN OF NEW LONDON, NEW HAMPSHIRE
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2014

	Special Revenue Funds					Capital Project Funds				
	Sewer Department	Conservation Commission	Capital			Lamson Lane	Library Building	Pleasant		Total
			Cost Recovery	Recreation	Recycling			Street Sidewalk	Elkins Sidewalk	
ASSETS										
Cash and cash equivalents	\$ 805,285	\$ 13,085	\$ 13,926	\$ 40,603	\$ 5,000	\$ -	\$ 1,284	\$ -	\$ -	\$ 879,183
Investments	236,588	-	47	-	-	-	-	-	-	236,635
Accounts receivable	113,127	-	52,700	-	-	-	-	-	-	165,827
Due from other governments	-	-	-	-	-	-	-	-	10,835	10,835
Interfund receivable	56,974	-	-	-	-	-	-	-	20,023	76,997
Total assets	\$ 1,211,974	\$ 13,085	\$ 66,673	\$ 40,603	\$ 5,000	\$ -	\$ 1,284	\$ -	\$ 30,858	\$ 1,369,477
LIABILITIES										
Accounts payable	\$ 9,315	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,315
Interfund payable	-	-	-	-	-	-	-	-	30,858	30,858
Total liabilities	9,315	-	-	-	-	-	-	-	30,858	40,173
DEFERRED INFLOWS OF RESOURCES										
Unavailable revenue - Special assessments	-	-	55,000	-	-	-	-	-	-	55,000
FUND BALANCES										
Restricted	-	13,085	11,673	-	-	-	1,284	-	-	26,042
Committed	1,202,659	-	-	40,603	5,000	-	-	-	-	1,248,262
Unassigned	-	-	-	-	-	-	-	-	-	-
Total fund balances	1,202,659	13,085	11,673	40,603	5,000	-	1,284	-	-	1,274,304
Total liabilities and fund balances	\$ 1,211,974	\$ 13,085	\$ 66,673	\$ 40,603	\$ 5,000	\$ -	\$ 1,284	\$ -	\$ 30,858	\$ 1,369,477

SCHEDULE 5
TOWN OF NEW LONDON, NEW HAMPSHIRE
Nonmajor Governmental Funds
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
For the Fiscal Year Ended June 30, 2014

	Special Revenue Funds										Capital Project Funds			
	Sewer Department	Conservation Commission	Capital Cost			Recreation	Recycling	Lamson Lane	Library Building	Pleasant Street		Elkins Sidewalk	Total	
			Recovery	Recovery	Recovery					Sidewalk	Sidewalk			
Revenues:														
Intergovernmental	\$ 9,872	\$ -	\$ 3,890	\$ -	\$ -	\$ -	\$ 84,822	\$ -	\$ 6,511	\$ 6,511	\$ 74,291	\$ 179,386		
Charges for services	717,408	-	-	52,513	40,266	-	-	-	-	-	-	810,187		
Miscellaneous	2,587	7	10,019	2,484	7	-	-	-	-	-	-	15,104		
Total revenues	729,867	7	13,909	54,997	40,273	-	84,822	-	6,511	6,511	74,291	1,004,677		
Expenditures:														
Current:														
General government	47,816	-	-	-	-	-	-	-	-	-	-	47,816		
Sanitation	566,019	-	-	-	15,181	-	-	-	-	-	-	581,200		
Culture and recreation	-	-	-	60,008	-	-	-	-	-	-	-	60,008		
Debt service:														
Principal	30,000	-	-	-	-	-	-	-	-	-	-	30,000		
Interest	3,687	-	-	-	-	-	-	-	-	-	-	3,687		
Capital outlay	18,884	-	-	-	-	-	84,822	-	6,511	6,511	94,314	204,531		
Total expenditures	666,406	-	-	60,008	15,181	-	84,822	-	6,511	6,511	94,314	927,242		
Excess (deficiency) of revenues over (under) expenditures	63,461	7	13,909	(5,011)	25,092	-	-	-	-	-	(20,023)	77,435		
Other financing sources (uses):														
Transfers in	12,888	-	-	-	-	-	-	-	-	-	20,023	32,911		
Transfers out	(75,586)	-	(12,888)	-	(25,092)	-	-	-	-	-	-	(113,566)		
Total other financing sources (uses)	(62,698)	-	(12,888)	-	(25,092)	-	-	-	-	-	20,023	(80,655)		
Net change in fund balances	763	7	1,021	(5,011)	-	-	-	-	-	-	-	(3,220)		
Fund balances, beginning, as restated (see Note 16)	1,201,896	13,078	10,652	45,614	5,000	-	-	1,284	-	-	-	1,277,524		
Fund balances, ending	\$ 1,202,659	\$ 13,085	\$ 11,673	\$ 40,603	\$ 5,000	\$ -	\$ -	\$ 1,284	\$ -	\$ -	\$ -	\$ 1,274,304		

***SINGLE AUDIT ACT SCHEDULES
AND INDEPENDENT AUDITOR'S REPORTS***



PLODZIK & SANDERSON

Professional Association/Accountants & Auditors

193 North Main Street • Concord • New Hampshire • 03301-5063 • 603-225-6996 • FAX-224-1380

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Members of the Board of Selectmen
Town of New London
New London, New Hampshire

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in the *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and aggregate remaining fund information of the Town of New London, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town of New London's basic financial statements, and have issued our report thereon dated April 10, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of New London's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of New London's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of New London's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of New London's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Sheryl A. Pratt, CPA

PLODZIK & SANDERSON
Professional Association

April 10, 2015



PLODZIK & SANDERSON

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

To the Members of the Board of Selectmen
Town of New London
New London, New Hampshire

Report on Compliance for Each Major Federal Program

We have audited the Town of New London's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the Town of New London's major federal program for the year ended June 30, 2014. The Town of New London's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Town of New London's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of New London's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Town of New London's compliance.

Opinion on Each Major Federal Program

In our opinion, the Town of New London complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2014.

Report on Internal Control over Compliance

Management of the Town of New London is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town of New London's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for the major program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town of New London's internal control over compliance.

Town of New London
Independent Auditor's Report on Compliance for Each Major Federal Program and
Report on Internal Control over Compliance Required By OMB Circular A-133

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



PLODZIK & SANDERSON
Professional Association

April 10, 2015

SCHEDULE I
TOWN OF NEW LONDON, NEW HAMPSHIRE
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2014

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? yes X no
- Significant deficiency(ies) identified? yes X none reported

Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes X no
- Significant deficiency(ies) identified? yes X none reported

Type of auditor's report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? yes X no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
66.458	Capitalization Grants for Clean Water State Revolving Funds

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? yes X no

SECTION II - FINANCIAL STATEMENT FINDINGS

NONE

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

NONE

SCHEDULE II
TOWN OF NEW LONDON, NEW HAMPSHIRE
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2014

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
U.S. DEPARTMENT OF TRANSPORTATION			
Passed Through the State of New Hampshire Department of Transportation			
Highway Planning and Construction:			
Pleasant Street Sidewalk Project	20.205	15534	\$ 6,511
Elkins Sidewalk Project	20.205	16051	74,291
<i>PROGRAM TOTAL</i>			<u>80,802</u>
Passed Through the New Hampshire Highway Safety Agency			
HIGHWAY SAFETY CLUSTER			
State and Community Highway Safety:			
New London PD Operation Safe Commute	20.600	315-13B-061	733
New London PD Enforcement Patrols	20.600	315-13B-109	2,324
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	308-13B-035	946
<i>CLUSTER TOTAL</i>			<u>4,003</u>
U.S. ENVIRONMENTAL PROTECTION AGENCY			
Passed Through the State of New Hampshire Department of Environmental Services			
Capitalization Grants for Clean Water State Revolving Funds (<i>note 3</i>)	66.458	CS-330198-01	<u>1,504,230</u>
U.S. DEPARTMENT OF HOMELAND SECURITY			
Passed Through the New Hampshire Department of Safety			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-4105-DR-NH	<u>13,600</u>
Hazard Mitigation Grant	97.039	FEMA-DR-1695-NH-29R	<u>84,822</u>
Total Expenditures of Federal Awards			<u>\$ 1,687,457</u>

The accompanying notes are an integral part of this schedule.

TOWN OF NEW LONDON, NEW HAMPSHIRE
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the “schedule”) includes the federal grant activity of the Town of New London under programs of the federal government for the year ended June 30, 2014. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of the Town of New London, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Town of New London.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

Note 3. Loan Outstanding

The Town of New London had the following loan balance outstanding at June 30, 2014. The loan made during the year is included in the federal expenditures presented in the Schedule.

<i>CFDA Number</i>	<i>Program Name</i>	<i>Outstanding Balance at June 30, 2014</i>
66.458	Capitalization Grants for Clean Water State Revolving Funds	\$4,146,930